

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC PRIORITY 7968
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY ROME
AMEMBASSY TOKYO
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E.O. 11652: N/A
TAGS: EFIN, UK
SUBJECT: HELMUT SCHMIDT INTERVIEW WITH FINANCIAL TIMES

1. FINANCIAL TIMES TUESDAY JULY 11 HIGHLIGHTS INTERVIEW WITH WEST GERMAN CHANCELLOR SCHMIDT ON THE EDITORIAL PAGE. EXCERPTS FOLLOW. IN DISCUSSING THE SUMMIT AND THE NEED FOR COMPROMISE,

QUOTE: EACH OF THE SEVEN PARTICIPATING NATIONS -- THE U.S., CANADA, JAPAN, BRITAIN, FRANCE, ITALY AND WEST GERMANY -- HAS A PARTICULAR CONTRIBUTION TO MAKE ON THE MAIN, INTER-RELATED TOPICS: ENERGY, CURRENCY STABILITY, ECONOMIC GROWTH, TRADE PROTECTIONISM AND NORTH-SOUTH DEVELOPMENT ISSUES. HERE IS THE ORIGIN OF THE "PACKAGE DEAL" IDEA, WHICH HERR SCHMIDT ACCEPTED "INsofar

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AS, FROM THE POLITICAL POINT OF VIEW ALONE, NO ONE CAN BE READY TO MAKE A CONCESSION IN ONE FIELD IF HE DOES NOT RECEIVE IN ANOTHER SOMETHING HE URGENTLY NEEDS." UNQUOTE

2. DISCUSSING THE DOLLAR:

QUOTE: "IN MY VIEW THIS IS THE MOST IMPORTANT SINGLE SOURCE OF UPHEAVAL IN THE WORLDWIDE NET-

WORK OF TRADE AND PAYMENTS AND IT SHOULD BE CORRECTED."

ASKED TO DESCRIBE HIS RELATIONS WITH THE PRESIDENT, WHICH WERE GREATLY STRAINED IN MR. CARTER'S FIRST MONTHS OF OFFICE, THE CHANCELLOR PAUSED, GAVE A SLIGHT SIGH -- AND THEN PRONOUNCED THEM "VERY GOOD." BESIDES, PERSONAL RELATIONS WERE NOT THE KEY FACTOR. WHAT REALLY COUNTED WAS THE WILL AND ABILITY OF LEADERS TO REACH A JUST COMPROMISE. UNQUOTE

3. TURNING TO THE PLAN FOR A WIDER ZONE OF CURRENCY STABILITY IN EUROPE:

QUOTE: TWO, BASICALLY SIMPLE, IDEAS LIE BEHIND THE SCHEME. THE FIRST IS THAT "THE LACK OF SUCH (CURRENCY) STABILITY HAS BEEN A MAIN FACTOR IN THE STRUCTURAL UPHEAVAL OF THE WORLD'S ECONOMY SINCE THE EARLY 1970S. I THINK DOMESTIC MONETARY STABILITY AND INTERNATIONAL CURRENCY STABILITY ARE TWO ABSOLUTELY NECESSARY CONDITIONS FOR CONTINUOUS GROWTH." THE SECOND IS THAT "THE HEAVIER THE WEIGHT OF A BASKET OF (EUROPEAN) CURRENCIES VIS-A-VIS THE DOLLAR, THE LESS REWARDING DOES IT BECOME TO SPECULATE AGAINST THE DOLLAR." UNQUOTE

4. DISCUSSING TECHNIQUES OF THE FLEDGLING EUROPEAN SYSTEM:

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QUOTE: THE BREMEN GUIDELINES FOR THE MONETARY SYSTEM, AS PUBLISHED, INCLUDE THE CONCEPT OF CREDIT FROM A FLEDGLING EUROPEAN MONETARY FUND TO BE GRANTED IN A WAY SIMILAR TO THAT OF THE IMF -- THAT IS, SUCCESSIVE TRANCHES WOULD BE SUBJECT TO INCREASINGLY TOUGH CONDITIONS. BUT IN HIS INTERVIEW HERR SCHMIDT WENT BEYOND THIS, SAYING THE NEW SYSTEM MIGHT ALSO INVOLVE THE EUROPEAN INVESTMENT BANK -- ALREADY AN INCREASINGLY IMPORTANT INSTRUMENT FOR TRANSFER OF RESOURCES IN THE COMMUNITY. "YOU WILL, FOR INSTANCE, BE TEMPTED TO DRAW SOME PARALLEL BETWEEN THE IMF AND THE WORLD BANK IN WASHINGTON."

5. ON PROTECTIONISM:

QUOTE: "I THINK IN MANY FIELDS, THE TREND TO PROTECTIONISM STEMS FROM AN INCLINATION NOT TO MEET THE CHALLENGE OF NECESSARY CHANGE BUT TO MAINTAIN OLD STRUCTURES, WHICH IN THE LONG RUN WILL NOT SERVE THE PURPOSE OF A RETURN TO FULL EMPLOYMENT. THIS TREND WOULD DESTROY THE FRAMEWORK OF THE WORLD ECONOMY"

HERR SCHMIDT WAS NEVER MORE EMPHATIC IN THE

COURSE OF THE HOUR-LONG TALK THAN WHEN THE SAID
"WE HAVE TO LOOK FOR NEW PRODUCTS, NEW INVENTIONS,

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NEW GOODS, NEW CAPACITY AND, ABOVE ALL, NEW
MARKETS." ALL THAT IMPLIED DEVELOPMENT OF
RESEARCH, EDUCATION, TRAINING -- AND NOT LEAST
LABOUR MOBILITY, WHICH THE AMERICANS HAD BUT THE
EUROPEANS DID NOT YET HAVE IN SUFFICIENT MEASURE.
UNQUOTE

6. DISCUSSING GERMAN GROWTH:

QUOTE: HE REFERRED WITH DISDAIN TO "SO-CALLED
CREATION OF ADDITIONAL DEMAND OR WHATEVER THE
PHRASES ARE," STRESSING TWO KEY PROBLEMS. ONE
WAS THE CONSTITUTIONAL LIMITATION ON GOVERNMENT
BORROWING. THE OTHER WAS THE LIMITED CAPACITY
OF THE CAPITAL MARKET TO YIELD A LOT MORE CREDIT
FOR THE GOVERNMENT AT STABLE INTEREST RATES.

7. FINAL REMARKS:

QUOTE: "LAST REMARK BUT ONE: NEVER IN SOME FOUR
YEARS OF HOLDING MY PRESENT OFFICE HAVE I FELT

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MYSELF CORNERED INTERNATIONALLY AND I DON'T FEEL
CORNERED TODAY. I FEEL I HAVE ALL THE ROOM FOR
MANOEUVRE I NEED. LAST REMARK: I ONCE AGAIN
STRESS THE NEED FOR COMPROMISE ON THE PART OF
ALL SEVEN PARTICIPANTS. FULL STOP, SIR." UNQUOTE

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